

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7185

BILL NUMBER: SB 309

DATE PREPARED: Apr 5, 2001

BILL AMENDED: Apr 5, 2001

SUBJECT: Medicaid Funding of Nursing Facilities.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

X

IMPACT: State

Summary of Legislation: (Amended) This bill allows nursing facilities to receive payments that are permitted under applicable federal statutes and regulations. The bill also requires that each governmental transfer or other payment mechanism that OMPP implements must maximize the amount of federal financial participation that the state can obtain.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) This bill *permits, but does not require*, the Office of Medicaid Policy and Planning (OMPP) to increase Medicaid reimbursement rates for government-owned and operated nursing facilities to the extent allowed by federal statutes and regulations. Consequently, any fiscal impact that may result from this provision is subject to administrative discretion.

In addition, the bill requires that each governmental transfer or other nursing home payment mechanism that OMPP implements must maximize the amount of federal financial participation that the state can obtain. This provision can be interpreted as requiring the state to investigate and implement alternative means of leveraging federal dollars through the Medicaid program potentially increasing federal reimbursement with little or no additional state funding. However, depending on the interpretation of "other payment mechanism," this provision may also be interpreted to require the state to increase nursing home reimbursement through the case-mix reimbursement system to the maximum allowed under federal law, thus requiring significant increases in state Medicaid expenditures.

Expenditures in the Medicaid program are shared with the federal government. The state share is currently about 38%, while the federal share represents about 62%. The federal financial participation rate changes annually.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.